

Livingston Parish Sewer District No. 1

Annual Financial Statements

As of and for the Year Ended December 31, 2009

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 10/20/10

Livingston Parish Sewer District No. 1

**Annual Financial Statements
As of and for the Year Ended December 31, 2009
With Supplemental Information Schedules**

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MALCOLM M. DIENES, L.L.C.
LEROY J. CHUSTZ, C.P.A.

Certified Public Accountants



INDEPENDENT AUDITORS' REPORT ON THE FINANCIAL STATEMENTS

Board of Commissioners
Livingston Parish Sewer District No. 1
Denham Springs, Louisiana

Except as discussed in the following paragraphs, we have audited the accompanying basic financial statements of the Livingston Parish Sewer District No. 1 (the District), a component unit of the Livingston Parish Council, as of and for the year ended December 31, 2009, as listed in the Table of Contents. These basic financial statements are the responsibility of Livingston Parish Sewer District No. 1's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

Except as discussed in the following paragraphs, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *Louisiana Governmental Audit Guide*. Those standards and the guide require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note 9 to the financial statements, the District failed to meet several debt covenant requirements relating to transaction processing and financial statement ratio maintenance as outlined in the Bond Resolutions of the 1984 Series and 1997A Series Bond issuances as of and for the year ended December 31, 2009.

In our opinion, except for the effects on the financial statements of the matter discussed in the preceding paragraph, the basic financial statements referred to above present fairly, in all material respects, the financial position and the results of operations and cash flows of the Livingston Parish Sewer District No. 1, as of December 31, 2009, and for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 13 to the financial statements, we call attention to a Long Term Commitment entered into by and between the Livingston Parish Sewer District No. 1 and the Livingston Parish Sewer District No. 2.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2010, on our consideration of the Livingston Parish Sewer District No. 1's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, and contracts. The purpose of that report is to describe the scope of our testing

of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 8 through 12 and 36 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Malcolm M. Dienes, L.L.C.

Leroy J. Chustz, CPA

Denham Springs, Louisiana

September 30, 2010

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REQUIRED SUPPLEMENTAL INFORMATION (PART 1)
Management's Discussion and Analysis

Livingston Parish Sewer District No. 1

Management's Discussion and Analysis As of and for the Year Ended December 31, 2009

This section of the Livingston Parish Sewer District No. 1's annual financial report presents our discussion and analysis of the District's financial performance during this fiscal year. This document focuses on the current year's activities, resulting changes, and currently know facts. Please read this document in conjunction with the additional information stated on attached financial statements.

OVERVIEW OF FINANCIAL STATEMENTS

The following narrative illustrates the minimum requirements as established by Governmental Accounting Standards Board Statement 34 as it pertains to the Livingston Parish Sewer District No. 1.

1. ****MANAGEMENT DISCUSSION and ANALYSIS****
 2. ****BASIC FINANCIAL STATEMENTS****
 3. ****REQUIRED SUPPLEMENTARY INFORMATION****
-

BASIC FINANCIAL STATEMENTS:

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the operations of Sewer District No. 1 of Livingston Parish as a whole and present a longer-term view of the current District finances. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

The Statement of Net Assets and the Statement of Activities report the District's net assets and changes in them. The net difference between the assets and liabilities measures the health of the District's finances. Increases or decreases are noted as a measurement for your evaluation of the financial position of the District.

Livingston Parish Sewer District No. 1

**Management's Discussion and Analysis
As of and for the Year Ended December 31, 2009**

FINANCIAL HIGHLIGHTS:

- 1 – District has cash and investments of \$380,266 and restricted cash and investments of \$165,821 on 12-31-09 representing a decrease of \$295,078 and \$13,476 from prior year end totals, respectively. The District purchased pump equipment in 2009 in the amount of \$ 33,085 after the damages in the 2008 Hurricane Gustav and made major repairs on manholes and lift stations with cash reserves.
- 2 – District had accounts receivable of \$33,357 on 12-31-09 representing an increase of \$9,992 from prior year end.
- 3 – District had prepaid insurance of \$4,380 on 12-31-09 representing a decrease of \$16,594 from prior year end.
- 4 – District had land, plant facilities and equipment net of accumulated depreciation of \$923,472 on 12-31-09 representing a increase of \$24,659 from prior year end. Depreciation expense totaled \$57,744 as per GASB Statement 34 Guidelines on Capital Assets and Depreciation.
- 6 – District had capital purchases and asset improvements placed in service of \$33,085 during period ended 12-31-09. A portable pump and pump cover was purchased for flow efficiencies and system service stability.
- 7 – District had sewer service sales and sewer maintenance fees of \$303,764, along with \$5,513 of non-operating income on 12-31-09.
- 8 – District had net loss from all operations of \$180,766 on 12-31-09 which includes the \$57,744 of depreciation expense in operating expenses. The two year period of 2008 and 2009 reflects unusual manhole repair related expenses and numerous pump repairs expenses.

Livingston Parish Sewer District No. 1

**Management's Discussion and Analysis
As of and for the Year Ended December 31, 2009**

FINANCIAL ANALYSIS OF THE DISTRICT:

The following is a condensed Statement of Net Assets at December 31, 2009 and 2008:

	<u>2009</u>	<u>2008</u>
Current and other assets	\$ 418,163	\$ 719,843
Cash assets restricted	165,821	152,345
Capital Assets (Net)	<u>923,472</u>	<u>948,131</u>
Total Assets	<u>1,507,456</u>	<u>1,820,319</u>
Current liabilities	11,139	117,686
Other Liabilities	36,398	35,905
Long Term Debt Payable	<u>216,541</u>	<u>242,584</u>
Total Liabilities	<u>264,078</u>	<u>396,175</u>
Net Assets:		
Unreserved Earnings	<u>1,243,378</u>	<u>1,424,144</u>
Total Net Assets	\$ <u>1,243,378</u>	\$ <u>1,424,144</u>

Net assets of the District decreased by \$180,766 from the previous year resulting from operating expenses and depreciation exceeding operating and non-operating revenues for 12-31-09. System repairs required use of asset reserves and a future \$95,000 Fema income reimbursement item was not approved as of 12-31-09 .

GENERAL REVENUE INFORMATION:

The District receives no ad-valorem taxes or sales taxes, but rather is a customer-user based system whereby customers of the District pay service fees on sewer usage by previously established sewer rates. New customers pay connection fees when being added for service along with a service deposit to cover a reasonable monthly sewerage bill, which is reserved. The District has experienced a modest growth in the past six year period with a forecast of continued growth in 2010 and beyond. The customer base has grown from an approximate 330 customers in 1998 to a billable customer count of 977 by the close of 12-31-09. The 2008 prior year customer count equaled 964.

Livingston Parish Sewer District No. 1

**Management's Discussion and Analysis
As of and for the Year Ended December 31, 2009**

The following is a condensed Statement of Activities for the fiscal year ended December 31, 2009 and 2008:

	2009	2008
Sewer Service Sales – Operations	\$ 303,764	\$ 407,079
Non-Operating Revenues	<u>5,513</u>	<u>24,460</u>
Total Revenues	309,277	431,539
Depreciation/Amortization Expense	(57,744)	(47,489)
District Operating Expenses	(415,406)	(373,749)
District Non-Operating Expenses	<u>(16,893)</u>	<u>(23,190)</u>
Total Expenses	<u>(490,043)</u>	<u>(444,428)</u>
Change in Net Assets	(180,766)	(12,889)
Beginning Net Assets	<u>1,424,144</u>	<u>1,437,033</u>
Ending Net Assets	<u>\$ 1,243,378</u>	<u>\$ 1,424,144</u>

District total operating revenues decreased by \$103,315 and non-operating revenues decreased by \$18,947 respectively from the previous year. Operating revenues decreased as compared to 2008 due to a special inspection fee item on a commercial account addition in 2008. The total cost of operations increased by \$41,647 and non operating expenses decreased by \$6,297 from the previous year due to the following summary of items:

- (A) increase in per diem and bad debt expense – (\$1,272)
- (B) increase in repairs and system maintenance – (\$19,050)
- (C) increase in depreciation expense – (\$ 10,255)
- (D) increase in billing costs, utilities, insurance, professional fees (\$ 21,463)
- (E) decrease in interest income (\$18,947)
- (F) decrease in inspection fee revenue as an unusual item from 2008 (\$110,053)

MAINTENANCE PRIORITIES:

District One has completed a third year of major improvements to manholes in the District by a selected refurbishment process to decrease infiltration. System maintenance expenses increased also due to many older pump repairs being realized as a continuing result of damages to the overall system from Hurricane Gustav power interruptions in during 2008 and toward stress on operating equipment in 2009.

Livingston Parish Sewer District No. 1

**Management's Discussion and Analysis
As of and for the Year Ended December 31, 2009**

The following is a detail of capital assets and corresponding accumulated depreciation as of and for the year ended December 31, 2009 and 2008:

	<u>2009</u>	<u>2008</u>
Land	\$ 55,432	\$ 55,432
Sewer Systems & Equipment	1,775,668	1,742,583
Accumulated Depreciation	<u>(907,628)</u>	<u>(849,884)</u>
Sewer Systems & Equipment, Net	<u>868,040</u>	<u>892,699</u>
Total Capital Assets, Net	\$ <u>923,472</u>	\$ <u>948,131</u>

DEBT:

District has a total outstanding debt of \$242,110 as of 12-31-2009. Debt is composed of two revenue bond obligations which financed the original infrastructure.

FUTURE REVENUES:

On January 1, 2010, new billing rate increases for the customers of the District were enacted which will substantially increase District revenues in order to cover both routine system maintenance expenditures and a comprehensive capital outlay project (only 30% portion will be obligated by District One on the entire project) financed by a Livingston Parish Council bond whereby a \$2,500,000 lift station refurbishment project is undertaken in the next two years. The new billing rates will cover the future 30 year obligation to the Livingston Parish Council and build cash reserves to levels experienced prior to the Hurricane Gustav storm event.

CONTACTING LIVINGSTON PARISH SEWER DISTRICT TWO'S MANAGEMENT:

The financial report is designed to provide our citizens, customers, investors, and creditors with a general overview of the District's finances and to show Livingston Parish Sewer District No. 1's accountability for the money received through its operations. If there are any questions about this report or need of additional financial information, contact Administrative Secretary, Randall Smith, Post Office Box 1059, Denham Springs, LA 70727.

BASIC FINANCIAL STATEMENTS

LIVINGSTON PARISH SEWER DISTRICT No. 1

Denham Springs, Louisiana

Statement of Net Assets

As of December 31, 2009

ASSETS

Current Assets

Cash and Cash Equivalents - Unrestricted	\$ 112,095
Investments - Unrestricted	268,171
Accounts Receivable, Net	33,357
Prepaid Insurance	4,380

Total Current Assets	<u>418,003</u>
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Restricted Assets

Restricted Cash and Cash Equivalents	69,234
Restricted Investments	96,587

Total Restricted Assets	<u>165,821</u>
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Property, Plant & Equipment

Land	55,432
Property, Plant & Equipment, Net	868,040

Total Property, Plant & Equipment	<u>923,472</u>
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Other Assets

Meter Deposits	160
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Total Other Assets	<u>160</u>
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Total Assets	<u>1,507,456</u>
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LIABILITIES

Current Liabilities (Payable From Current Assets)

Accounts Payable	11,117
Due to Other Governments	22

Total Current Liabilities (Payable From Current Assets)	<u>11,139</u>
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Current Liabilities (Payable from Restricted Assets)

Accrued Interest Payable	10,829
Revenue Bonds Payable	25,569

Total Current Liabilities (Payable from Restricted Assets)	<u>36,398</u>
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Long-Term Liabilities:

Bond Payable	216,541
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Total Long-Term Liabilities	<u>216,541</u>
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Total Liabilities	<u>264,078</u>
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NET ASSETS

Invested in Capital Assets, Net of Related Debt	670,533
Restricted for	
Debt Service	74,216
Capital Projects	91,605
Unrestricted	407,024

Total Net Assets	<u>\$ 1,243,378</u>
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The accompanying notes are an integral part of this financial statement.

LIVINGSTON PARISH SEWER DISTRICT No. 1
Denhan Springs, Louisiana

Statement of Activities
For the Year Ended December 31, 2009

OPERATING REVENUES

Sewer Fees	\$ 292,561
Permits & Inspection Fees	1,954
Impact Fees	8,045
User Fees	<u>1,204</u>

Total Operating Revenues (Note 13)	<u>303,764</u>
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OPERATING EXPENSES

Payroll Taxes & Group Insurance	182
Per Diem	2,380
Billing Costs	15,017
Depreciation	57,744
Insurance	31,636
Other	4,116
Professional Fees	23,796
Repairs and Maintenance (Note 11)	289,219
Supplies	10,028
Utilities	38,160
Bad Debt Expense	<u>872</u>

Total Operating Expenses	<u>473,150</u>
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Operating Loss	<u>(169,386)</u>
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NON-OPERATING REVENUES (EXPENSES)

Interest Income	5,513
Interest Expense	(12,847)
Storm Expense	<u>(4,046)</u>

Total Non-Operating Expenses	<u>(11,380)</u>
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Change in Net Assets	(180,766)
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Total Net Assets, Beginning	<u>1,424,144</u>
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Total Net Assets, Ending	<u>\$ 1,243,378</u>
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The accompanying notes are an integral part of this financial statement.

LIVINGSTON PARISH SEWER DISTRICT No. 1
Denham Springs, Louisiana

Statement of Cash Flows
For the Year Ended December 31, 2009

Cash Flows From Operating Activities	
Received from Customers	\$ 293,772
Payments for Operations	(502,797)
Payments to Employees	<u>(2,562)</u>
 Net Cash Used in Operating Activities	 <u>(211,587)</u>
 Cash Flows From Capital and Related Financing Activities	
Payments for Capital Acquisitions	(33,085)
Payments for Storm Expenses	(4,046)
Principal Repayments for Long-Term Debt	(24,455)
Interest Payments for Long-Term Debt	<u>(13,942)</u>
 Net Cash Used by Capital and Related Financing Activities	 <u>(75,528)</u>
 Cash Flows From Investing Activities	
Receipt of Interest	5,513
Net Proceeds from Sale of Investments	<u>263,860</u>
 Net Cash Provided by Investing Activities	 <u>269,373</u>
 Net Cash Decrease in Cash and Cash Equivalents	 (17,742)
 Cash and Cash Equivalents, Beginning of Year	 <u>199,071</u>
 Cash and Cash Equivalents, End of Year	 \$ <u><u>181,329</u></u>
 Reconciliation of Cash & Cash Equivalents to the Statement of Net Assets	
Cash & Cash Equivalents, Unrestricted	\$ 112,095
Cash & Cash Equivalents, Restricted	<u>69,234</u>
Total Cash & Cash Equivalents	<u>\$ <u>181,329</u></u>
 Reconciliation of Operating (Loss) to Net Cash	
(Used) by Operating Activities	
Operating Loss	\$ (169,386)
Adjustments to Reconcile Operating (Loss) to Net Cash	
(Used) by Operating Activities	
Depreciation	57,744
(Increase) in Accounts Receivable	(9,992)
Decrease in Prepaid Insurance	16,594
(Decrease) in Accounts Payable for Operating Activities	<u>(106,547)</u>
 Net Cash Used by Operating Activities	 \$ <u><u>(211,587)</u></u>

The accompanying notes are an integral part of this financial statement.

BASIC FINANCIAL STATEMENTS
Notes to the Financial Statements

LIVINGSTON PARISH SEWER DISTRICT No. 1

Notes to the Financial Statements As of and for the Year Ended December 31, 2009

Introduction

Livingston Parish Sewer District No. 1 (the District) was created by the Livingston Parish Police Jury (now the Livingston Parish Council) on October 26, 1974, pursuant to the provisions of R.S. 33:3881, et. seq., of the Louisiana Revised Statutes of 1950.

The District is located in Denham Springs, Louisiana. The purpose of the District is to provide sanitation services to customers within the boundaries of the District. The board is composed of three board members appointed by the Livingston Parish Council. Board members are compensated for meeting attendance at the rate of \$60.00 per meeting.

Livingston Parish Sewer District No. 1 was thus created and constitutes a public corporation and political subdivision of the State of Louisiana, and has all the power and privileges granted by the Constitution and statutes of this state to such subdivision, including the authority to incur debt, to issue bonds, and to levy taxes and assessments.

GASB Statement No. 14, *The Reporting Entity*, established criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. Under provisions of this Statement, the Livingston Parish Sewer District No. 1 is considered a component unit of the Livingston Parish Council. As a component unit, the accompanying financial statements should be included within the reporting of the primary government, either blended into those financial statements or separately reported as discrete component units.

1. Summary of Significant Accounting Policies

A. Measurement Focus and Basis of Accounting and Financial Statement Presentation

The District's financial statements are prepared on the full accrual basis in accordance with accounting principles generally accepted in the United States of America. The District applies all Governmental Accounting Standards Board (GASB) pronouncements as well as Financial Accounting Standards Board (FASB) statements and interpretations, and the Accounting Principle Board (APB) of the Committee On Accounting Procedure, issued on or before November 30, 1989, unless those pronouncements conflict or contradict with GASB pronouncements.

These financial statements are presented in conformance with GASB Statement No. 34, *Basic Financial Statements, Management's Discussion and Analysis, for State and Local Governments*. Statement No. 34 established standards for financial reporting, with presentation requirements including a statement of net assets (or balance sheet), a statement of activities and changes in net assets, and a statement of cash flows. The District has also adopted the provisions of GASB Statement No. 33,

LIVINGSTON PARISH SEWER DISTRICT No. 1

Notes to the Financial Statements As of and for the Year Ended December 31, 2009

1. Summary of Significant Accounting Policies (Continued)

B. Cash and Cash Equivalents

Cash includes amounts in demand deposits, interest-bearing demand deposits, and money market accounts. Cash equivalents include amounts in time deposits and those investments with original maturities of 90 days or less. Under state law, the District may deposit funds in demand deposits, interest-bearing demand deposits, money market accounts, or time deposits with state banks organized under Louisiana law or any other state of the United States, or under the laws of the United States.

C. Investments

Investments are limited by Louisiana Revised Statute (R.S.) 33:2955 and the District's investment policy. If the original maturities of investments exceed 90 days, they are classified as investments; however, if the original maturities are 90 days or less, they are classified as cash equivalents.

The following disclosures are required by GASB Statement No. 31:

- The District uses the quoted market prices to estimate the fair value of the investments.
- None of the investments are reported at amortized cost.
- There is no involuntary participation in an external investment pool.

D. Inventories

Purchases of various operating supplies are regarded as expenditures at the time purchased, and inventories of such supplies (if any) are not recorded as assets at the close of the fiscal year. As of December 31, 2009, the District had no significant inventory.

E. Prepaid Items

Payments made to vendors that will benefit periods beyond the end of the current calendar year are recorded as prepaid items. Prepaid items consist of prepaid insurance premiums.

LIVINGSTON PARISH SEWER DISTRICT No. 1

Notes to the Financial Statements As of and for the Year Ended December 31, 2009

1. Summary of Significant Accounting Policies (Continued)

A. Measurement Focus and Basis of Accounting and Financial Statement Presentation (Continued)

Accounting and Financial Reporting for Nonexchange Transactions, that require capital contributions to the District be presented as a change in net assets.

All activities of the District are accounted for in a single proprietary (enterprise) fund. Proprietary funds are used to account for operations that are financed and operated in a manner similar to private business enterprise, where the intent of the governing authority is that the cost (expenses, including depreciation) of providing services on a continuing basis be financed or recovered primarily through user charges.

Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized at the time liabilities are incurred.

The term focus denotes what is being measured and reported in the District's operating statement. Financial operations of the District are accounted for on the flow of economic resources measurement focus. With this measurement focus, all of the assets and liabilities available to the District for the purpose of providing goods and services to the public are included on the balance sheet. The activity statement includes all costs of providing goods and services during the period.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the proprietary funds are user charges for the services provided by the enterprise funds. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

LIVINGSTON PARISH SEWER DISTRICT No. 1

Notes to the Financial Statements As of and for the Year Ended December 31, 2009

1. Summary of Significant Accounting Policies (Continued)

F. Restricted Assets

Certain proceeds of the enterprise fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets because their use is limited by applicable bond covenants.

G. Capital Assets

Capital assets of the District are defined by the District as assets with an initial, individual cost of more than \$500 and an estimated useful life in excess of one year. Capital assets are recorded at either historical cost or estimated historical cost. Donated assets, including water systems donated for continued maintenance by the District, are valued at their estimated fair market value on the date donated. Depreciation of all exhaustible fixed assets is charged as an expense against operations. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, as follows:

All capital assets, other than land, are depreciated using the straight-line method over the following useful lives:

Description	Estimated Lives
Infrastructure assets	40
Land improvements	40
Buildings and building improvements	40
Furniture and fixtures	5-10
Vehicles	5
Equipment	3-10

The costs of normal maintenance and repairs that do not add to the value of the asset or materiality or extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed.

LIVINGSTON PARISH SEWER DISTRICT No. 1

Notes to the Financial Statements As of and for the Year Ended December 31, 2009

1. Summary of Significant Accounting Policies (Continued)

H. Compensated Absences

Employees of the District can earn sick leave based on the number of hours worked each pay period. At this time the District has no provisions for leave carryover; therefore, a leave accrual was not recorded in the financial statements.

In accordance with GASB Statement No. 16, *Accounting for Compensated Absences*, no liability has been accrued for unused employee sick leave.

I. Long-Term Obligations

Long-term liabilities are recognized within the Enterprise Fund. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

J. Net Assets

GASB Statement No. 34, *Basic Financial Statements, Management's Discussion and Analysis, for State and Local Governments*, requires classification of net assets, the difference between the District's assets and liabilities, into three components, as described below:

- Invested in capital assets, net of related debt - This component of net assets consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds or indebtedness attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of invested in capital assets, net of related debt. Rather, that portion of the debt is included in the same net assets calculation as unspent proceeds.
- Restricted - This component of net assets consists of constraints placed on net asset use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

LIVINGSTON PARISH SEWER DISTRICT No. 1

Notes to the Financial Statements As of and for the Year Ended December 31, 2009

1. Summary of Significant Accounting Policies (Continued)

J. Net Assets (Continued)

- Unrestricted - This component of net assets consists of net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

K. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events within the control of the municipality, which are either unusual in nature or infrequent in occurrence.

L. Estimates

The preparation of financial statements, in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that effect the reported amount of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

2. Cash and Cash Equivalents

At December 31, 2009, the District had cash and cash equivalents (book balances) totaling \$181,329, as follows:

	<u>December 31, 2009</u>
Demand Deposits	\$ 120,140
Trust Funds	<u>61,189</u>
Total	<u>\$ 181,329</u>

These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance of the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit

LIVINGSTON PARISH SEWER DISTRICT No. 1

**Notes to the Financial Statements
As of and for the Year Ended December 31, 2009**

2. Cash and Cash Equivalents (Continued)

with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties.

At December 31, 2009, the District has \$182,430 in cash and cash equivalents deposits (collected bank balances), consisting of \$121,409 in demand deposits and \$61,021 in Trust Funds. The demand deposits of \$121,409 are secured from risk by \$250,000 of federal deposit insurance and the \$61,021 of Trust Funds consists of United States treasury securities not required to be collateralized.

In addition, at December 31, 2009, the District also has \$364,758 in certificates of deposits categorized as investments. The \$364,758 consists of a \$35,328 certificate of deposit at one bank fully collateralized by federal deposit insurance, and \$329,430 of certificates of deposits secured from risk by \$128,591 of federal deposit insurance and \$200,839 of pledged securities held by the custodial bank in the name of the fiscal agent bank (GASB Category 3).

Even though the pledged securities are considered uncollateralized (Category 3) under the provisions of GASB Statement 3, Louisiana Revised Statutes 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the District that the fiscal agent has failed to pay deposited funds upon demand.

Deposits (bank balances) secured at December 31, 2009, are as follows:

Category 1 – Insured by FDIC or collateralized with securities held by the Board or by its agent in its name.

Category 2 – Uninsured but collateralized with securities held by the pledging financial institution's trust department or agent in the Board's name.

Category 3 – Uninsured and uncollateralized or collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the Board's name; or collateralized with no written or approved collateral agreement.

LIVINGSTON PARISH SEWER DISTRICT No. 1

Notes to the Financial Statements As of and for the Year Ended December 31, 2009

2. Cash and Cash Equivalents (Continued)

Type of Deposits	Total Bank Balance	Custody Credit Risk Category			Not Required To Be Collateralized	Total Carrying Value
		1	2	3		
Cash and Cash Equivalents	\$ 121,409	\$ 121,409	-	-	-	\$ 121,409
Certificates of Deposit (With original maturities in excess of three months)	364,758	163,919	-	\$ 200,839	-	364,758
Restricted Assets - Trust Accounts	61,021	-	-	-	\$ 61,021	61,021
Total Deposits	<u>\$ 547,188</u>	<u>\$ 285,328</u>	<u>-</u>	<u>\$ 200,839</u>	<u>\$ 61,021</u>	<u>\$ 547,188</u>

3. Investments

Investments are categorized into three categories of credit risk:

1. Insured or registered, or securities held by the District or its agent in the District's name.
2. Uninsured and unregistered, with securities held by the counter party's trust department or agent in the District's name.
3. Uninsured and unregistered, with securities held by the counter party, or by its trust department or agent, but not in the District's name.

All investments held by the District fall into Category 1 credit risk, defined as: "insured or registered, or securities held by the District or its agent in the District's name." In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, all investments are carried at fair value, with the estimate of fair value based on quoted market prices.

All investments are stated on the balance sheet (carrying value) at market value. All investments are in the name of the District and are held at the District's office. Because their investments are in the name of the District and are held by the District or the District's agent, the investments are considered insured and registered, Category (1), in applying the credit risk of GASB Codification Section I50.164.

LIVINGSTON PARISH SEWER DISTRICT No. 1

Notes to the Financial Statements As of and for the Year Ended December 31, 2009

4. Receivable

At December 31, 2009, the District recorded \$33,357 in customer accounts receivable. Billing services for the District are contracted with Ward 2 Water District of Livingston Parish and the City of Denham Springs. Accounts receivable at fiscal year-end includes the amounts collected but not yet remitted to the District. Customer accounts are written off as deemed uncollectible and any allowance for uncollectible accounts is deemed immaterial at fiscal year end.

5. Restricted Assets

The following is a summary of restricted assets at December 31, 2009:

Restricted Cash and Cash Equivalents

Bond Reserve Account	\$ 15,035
Bond Contingency Account	29,289
Bond Sinking Account	16,865
Impact Fee Funds	8,045
Total Restricted Cash and Cash Equivalents	<u>69,234</u>

Restricted Investments

Bond Reserve Account	24,192
Bond Contingency Account	54,271
Bond Sinking Account	18,124
Total Restricted Investments	<u>96,587</u>
Total Restricted Assets	<u>\$ 165,821</u>

LIVINGSTON PARISH SEWER DISTRICT No. 1

Notes to the Financial Statements As of and for the Year Ended December 31, 2009

6. Capital Assets

A summary of changes in capital assets during the fiscal year ended December 31, 2009, is as follows:

	Beginning Balance 12/31/2008	Additions and Reclassifications	Deletions and Reclassifications	Ending Balance 12/31/2009
Capital Assets Being Depreciated:				
Buildings	\$ 168,225	\$ -	\$ -	\$ 168,225
Machinery and Equipment	104,775	33,085	-	137,860
Utility System	1,469,583	-	-	1,469,583
Total Capital Assets Being Depreciated:	1,742,583	33,085	-	1,775,668
Less Accumulated Depreciation	(849,884)	(57,744)	-	(907,628)
Capital Assets Being Depreciated, Net	892,699	(24,659)	-	868,040
Land	55,432	-	-	55,432
Total Capital Assets, Net	\$ 948,131	\$ (24,659)	\$ -	\$ 923,472

During the fiscal year ended December 31, 2009, capital assets increased by \$33,085 due to the purchase and installation of a portable pump. Depreciation expense for the fiscal year ended December 31, 2009 totaled \$57,744.

LIVINGSTON PARISH SEWER DISTRICT No. 1

**Notes to the Financial Statements
As of and for the Year Ended December 31, 2009**

7. Long-Term Debt

The following is a summary of loan transactions of the District for the year ended December 31, 2009:

Description	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Long-Term Debt					
USDA 1984 Revenue Bonds, Loan 92-01	\$ 196,565	\$ -	\$ (8,455)	\$ 188,110	\$ 8,569
Sewer Revenue Refund Bonds, Series 1997A	70,000	-	(16,000)	54,000	17,000
Total Long-Term Debt	<u>\$ 266,565</u>	<u>\$ -</u>	<u>\$ (24,455)</u>	<u>\$ 242,110</u>	<u>\$ 25,569</u>

Bonds Payable as of December 31, 2009 are as follows:

Revenue Bond - \$307,000

Sewer Revenue Bonds, Loan 92-01 sold to Rural Utility Service,

dated 02/28/1984, due in annual installments of principal and

interest of \$18,203 through 02/28/2024 - interest at 5.0% \$ 188,110

Revenue Bond - \$198,000

Sewer Revenue Refunding Bonds, Series 1997A, dated 05/13/1997,

due in annual installments of principal and interest varying from

\$18,405 to \$20,780 through 02/28/2012 - interest at 6.0% 54,000

\$ 242,110

LIVINGSTON PARISH SEWER DISTRICT No. 1

Notes to the Financial Statements As of and for the Year Ended December 31, 2009

7. Long-Term Debt (Continued)

The annual requirements to amortize all long-term debt outstanding at December 31, 2009, including interest payments of \$91,536 are as follows:

Year Ending December 31,	USDA 1984 Revenue Bonds \$307,000	Series 1997A Revenue Refunding Bonds \$198,000	Total
2010	\$ 18,203	\$ 20,240	\$ 38,443
2011	18,203	20,220	38,423
2012	18,203	20,140	38,343
2013	18,203	-	18,203
2014	18,203	-	18,203
2015 to 2019	91,015	-	91,015
2020 to 2024	91,015	-	91,015
Total	<u>\$ 273,045</u>	<u>\$ 60,600</u>	<u>\$ 333,645</u>

8. Flow of Funds and Restrictions on Use

On February 28, 1984, the District issued \$307,000 of United States Farmer's Home Administration (now referred to as USDA Bonds) Sewer Revenue Bonds. The bonds were issued at an annual interest rate of 5.0%, and are due in annual installments of \$18,203 through February 28, 2024.

On May 13, 1997, the District issued \$198,000 of Sewer Revenue Refunding Bonds, Series 1997A, at an interest rate of 6.0%, with the bonds maturing on February 28, 2012. These bonds were issued in parity with the 1984 USDA Bonds and the bond restrictions described below apply to both outstanding revenue bonds.

LIVINGSTON PARISH SEWER DISTRICT No. 1

Notes to the Financial Statements As of and for the Year Ended December 31, 2009

8. Flow of Funds and Restrictions on Use (Continued)

The below listed bond covenant requirements were in effect as of and for the year ended December 31, 2009, and applied to each of the issuances previously noted.

Sewerage System Bond and Interest Sinking Fund (the Sinking Fund): Each month the District shall transfer from the Sewer Revenue Fund to the regularly designated fiscal agent bank of the Issuer (which must be a member of the Federal Deposit Insurance Corporation), in advance on or before the 20th day of each month of each year a sum equal to ½ of the principal and interest falling due on the next principal and interest payment date, together with such additional proportionate sums as may be required to pay said principals and interest as the same respectively become due. Money in the Sinking Fund shall be deposited as trust funds and shall be used solely, and is hereby expressly and exclusively pledged, for the purpose of paying principal and interest on the bond and parity bonds. The said fiscal agent shall make available from the Revenue Bond Sinking Fund to the paying agent such funds as are available from the Sinking Fund, at least ten days in advance of the date on which each payment of principal or interest falls due, funds fully sufficient to pay promptly the principal and interest so falling due on such date.

At December 31, 2009, all required bond and interest installments for the District had been made as required, and the Sinking Fund was fully funded. However, the transfers from the Revenue Fund to the Sinking Fund had not been made on a timely basis as outlined in the bond resolution excerpt above.

Sewerage System Revenue Bond Reserve Fund (the Reserve Fund): Each month the District must transfer into the Reserve Fund, in advance on or before the 20th day of each month of each year, a sum as equal to 5% of the sum required by applicable bond covenants, such payments to continue until an amount of money has been accumulated in the Reserve Fund equal to the highest combined principal and interest requirements for a succeeding twelve (12) month period on such bonds payable from the Reserve Fund. The amount that must be deposited each month to the Reserve Fund is equal to 5% of the required monthly interest and principal installments for outstanding parity bonds.

The money in the Reserve Fund is to be retained solely for the purpose of paying the principal of and the interest on bonds payable from the Revenue Bond Sinking Fund as to which there would otherwise be default. In the event that additional pari passu bonds are issued hereafter in the manner provided by the resolution, there shall be transferred from the Sewerage System Revenue Fund into the Revenue Bond Sinking Fund, monthly or annually, such amounts (as may be designated in the resolution authorizing the issuance of such pari passu bonds) as will increase the total amount on

LIVINGSTON PARISH SEWER DISTRICT No. 1

Notes to the Financial Statements As of and for the Year Ended December 31, 2009

8. Flow of Funds and Restrictions on Use (Continued)

deposit in the Reserve Fund within a period not exceeding five (5) years from the day of delivery of the parity bonds to a sum equal to the highest combined principal and interest requirements in any succeeding fiscal year on all outstanding bonds issued pursuant to the terms of this resolution, including such *pari passu* bonds.

As of December 31, 2009, all required Reserve Fund monthly deposits for the District had been made as required, and the Reserve Fund was fully funded. However, the transfers from the Revenue Fund to the Reserve Fund had not been made on a timely basis as outlined in the bond resolution excerpt above.

Sewerage System Depreciation and Contingency Fund (the Depreciation and Contingency Fund): Each month the District shall transfer from the Sewerage System Revenue Fund an amount, in advance on or before the 20th day of each month of each year beginning with the first month following completion of the improvements and extensions to the System financed with the proceeds of the Bonds, the sum equal to 5% of the amount, but not less than \$168 per month for each parity bond, to be paid monthly into the Sinking Fund. All monies in the Depreciation and Contingency Fund may be drawn on and used by the District for the purpose of paying the cost of unusual or extraordinary maintenance, repairs, replacements and extensions. The costs of such improvements to the Sewerage System that will either enhance its revenue-producing capacity or provide a higher degree of service. In the event the available balances in the Revenue Bond Sinking Fund and Sewerage System Revenue Bond Reserve Fund are insufficient, monies on deposit in the Depreciation and Contingency Fund shall be transferred in such amounts as are necessary to eliminate the deficiencies, respectively, in the Revenue Bond Sinking Fund and Reserve Fund.

As of December 31, 2009, all required Depreciation and Contingency Fund monthly deposits for the District had been made as required. However, the transfers from the Revenue Fund to the Contingency Fund had not been made on a timely basis as outlined in the bond resolution excerpt above.

Rate Covenant: Debt Service Coverage and Rates: With the issuance of the Series 1997A Sewer Revenue Refunding Bonds, the District (the Issuer) through the Governing Authority covenants to fix, establish, maintain and collect, so long as any principal and interest is unpaid on the Bonds, such rates, fees rents or other charges for the services and facilities of the System, and all parts thereof, and to revise the same from time to time whenever necessary, as will always provide revenues in each fiscal year sufficient to (i) pay the reasonable and necessary expenses of operating and maintaining the System in each fiscal year; the principal and interest maturing on the Bond, the Unrefunded Bond, and any Parity Bonds in each year, all reserves of

LIVINGSTON PARISH SEWER DISTRICT No. 1

Notes to the Financial Statements As of and for the Year Ended December 31, 2009

8. Flow of Funds and Restrictions on Use (Continued)

sinking funds and other payments required for such year by the Bond Resolution: and all other obligations of indebtedness payable out of the revenues of the System for such year (ii) Net Revenues in each year, exclusive of Other District Moneys, after paying all reasonable and necessary expenses of operating and maintaining the System in each year in an amount at least equal to (110%) of the principal and interest obligated to be paid in the current year on the Bond, the Unrefunded Bond, and Parity Bonds and any subordinate lien bonds or other debt obligations outstanding and (iii) Net Revenues, inclusive of other District Moneys, after paying all reasonable and necessary expenses of operating and maintaining the System, shall be in an amount at least equal to pay 120% times principal and interest due on the 1997A Bond, the Unrefunded Bond, and any other parity Bonds. The issuer shall alter, amend or repeal from time to time as may be necessary resolutions or ordinances setting up and establishing a schedule(s) of rates and charges for the services and facilities to be rendered by the system. The Issuer shall assure and insure that income and revenues from use of the System shall be sufficient at all times to meet and fulfill the provisions stated and specified in Sections 5.2 and 8.1 of the Series 1997A Bond Resolution.

For the fiscal year ended December 31, 2009, the District recorded "Net Revenues" less than the required amount to meet the required percentage ratios explained in the preceding paragraph.

9. Debt Covenant Failure

As of and for the year ended December 31, 2009, the District had failed several debt covenant requirements relating to the bond resolutions of the 1984 Series and 1997A Series Bond issuances. See Note 8 for details of Bond covenant requirements and instances of non-compliance as of and for the year ended December 31, 2009.

10. Restricted and Designated Net Assets

At December 31, 2009, Livingston Parish Sewer District One recorded \$165,821 in Restricted Net Assets (Restricted for Capital Projects and Debt Service), representing the District's funds restricted by revenue bond debt covenants, contracts with customers for meter deposits, and the unspent portion of capital debt related to amounts restricted for capital projects less liabilities related to these restricted funds. A liability relates to restricted assets if the asset results from incurring the liability or if the liability will be liquidated with the restricted assets.

LIVINGSTON PARISH SEWER DISTRICT No. 1

Notes to the Financial Statements As of and for the Year Ended December 31, 2009

11. Intergovernmental Agreement

Billing services for the District are contracted to the City of Denham Springs and Waterworks District No. 2 of Livingston Parish. In addition, the District maintains contracts for sewer maintenance services, primarily with Livingston Parish Sewer District No. 2 and paid a total of \$150,644 in outside maintenance expenses for the fiscal year ended December 31, 2009. This balance is included in the Statement of Activities within the account titled Repairs and Maintenance.

12. Risk Management

The District is exposed to various risks of loss related to theft, damage or destruction of assets, torts, injuries, natural disasters, and many unforeseeable events. The District purchases commercial insurance policies and bonds for any and all claims related to the aforementioned risks. The District's payment of the insurance policy deductible is the only liability associated with these policies and bonds.

13. Long Term Commitment

On December 22, 2009, the Livingston Parish Council (the Council) issued \$2,500,000 (principal) of 2009 Series Revenue Bonds (Bond) on behalf of the Livingston Parish Sewer District No. 2 relating to the lift station repair and refurbishment project. The total interest on the 2009 Series Revenue Bonds through maturity in 2039 is calculated to be \$2,219,047 for a combined principal and interest amount of \$4,556,219. Additionally, the Council and the Livingston Parish Sewer District No. 2 entered into a Local Services Agreement obligating the Livingston Parish Sewer District No. 2 to make each of the required monthly principal and interest payments relating to the Bond through maturity. Subsequently, the District and Livingston Parish Sewer District No. 2 entered into a Local Services Agreement obligating the District to a pro rata share of the monthly principal and interest payment obligation of the Livingston Parish Sewer District No. 2. The pro-rata share has been set at 30% of the monthly principal and interest payments of Sewer District No. 2. The monthly payment obligation of the District commenced in January 2010 with payments to continue through maturity.

LIVINGSTON PARISH SEWER DISTRICT No. 1

**Notes to the Financial Statements
As of and for the Year Ended December 31, 2009**

13. Long Term Commitment (Continued)

The annual requirements of the monthly payment obligation per the Local Service Agreement are as follows:

<u>Ending</u>	<u>Future Annual Payments</u>
2010	\$ 46,470
2011	47,580
2012	48,493
2013	48,374
2014	47,999
2015 - 2019	243,211
2020 - 2024	242,630
2025 - 2029	244,125
2030 - 2034	243,688
2035 - 2039	<u>203,144</u>
	<u>\$ 1,415,714</u>

Required Supplemental Information (Part II)

Budget to Actual Comparison

Schedule of Insurance

Schedule of Compensation Paid to Board Members

Schedule of Sewer Rates

Schedule of Sewer Customers

LIVINGSTON PARISH SEWER DISTRICT No. 1
Denham Springs, Louisiana

Budget to Actual Comparison
For the Year Ended December 31, 2009

	2009 Budget	2009 Actual	Variance Favorable (Unfavorable)
Operating Revenues			
Sewer Fees	\$ 286,000	\$ 292,561	\$ 6,561
Permits & Inspection Fees	1,600	1,954	354
Impact Fees	-	8,045	8,045
User Fees	2,000	1,204	(796)
Total Operating Revenues	<u>289,600</u>	<u>303,764</u>	<u>14,164</u>
Operating Expenses			
Payroll Taxes & Group Insurance	200	182	18
Per Diem	2,400	2,380	20
Billing Costs	5,500	15,017	(9,517)
Depreciation	48,000	57,744	(9,744)
Insurance	39,000	31,636	7,364
Other	4,300	4,116	184
Professional Fees	24,000	23,796	204
Repairs and Maintenance	294,700	289,219	5,481
Supplies	14,000	10,028	3,972
Utilities	34,000	38,160	(4,160)
Bad Debt Expense	900	872	28
Total Operating Expenses	<u>467,000</u>	<u>473,150</u>	<u>(6,150)</u>
Operating Expenses	<u>(177,400)</u>	<u>(169,386)</u>	<u>8,014</u>
Non-Operating Revenues (Expenses)			
Interest Income	7,400	5,513	(1,887)
FEMA Reimbursement	95,000	-	(95,000)
Interest Expense	(14,000)	(12,847)	1,153
Storm Expense	-	(4,046)	(4,046)
Total Non-Operating Revenue (Expenses)	<u>88,400</u>	<u>(11,380)</u>	<u>(99,780)</u>
Change in Net Assets	<u>(89,000)</u>	<u>(180,766)</u>	
Total Net Assets, Beginning	<u>1,424,144</u>	<u>1,424,144</u>	
Total net Assets, Ending	\$ <u>1,335,144</u>	\$ <u>1,243,378</u>	

LIVINGSTON PARISH SEWER DISTRICT No. 1
Denham Springs, Louisiana

Schedule of Insurance
For the Year Ended December 31, 2009

Insurance Company/ Policy Number	Coverage	Amount	Period
American Alternative Insurance Corp (AAIC) Policy # 8D-IS-SP 9153563-2/0	Commercial Property General Liability: General Aggregate Each Occurrence Management Liability: General Aggregate Each "Wrongful Act" or Offense Equipment Floater (As Scheduled)	\$ 7,005,960 \$ 3,000,000 \$ 1,000,000 \$ 3,000,000 \$ 1,000,000 \$ 104,987	10/31/2009 to 10/31/2010
CNA Surety Co. Bond # 0601 18279338	Employee Dishonesty (Position Schedule)	\$ 135,000	09/17/2009 to 09/17/2010
Louisiana Workers Comp Corp Policy # CAP 15296-B	Workers Comp at Statutory Limitations: Employers' Liability (each accident) Employees' Liability (each accident)	 \$ 100,000 \$ 100,000	03/24/2009 to 03/24/2010
Am Trust Insurance Company of Kansas, Inc. Policy # KPPI004645 00	Commercial Auto: Liability (Comb. Single Limit- CSL) Uninsured Motorist (CSL) Physical Damage (As Scheduled)	 \$ 500,000 \$ 500,000	03/16/2009 to 03/16/2010

Note: The Employee Dishonesty Bond described above is issued separately for Livingston Parish Sewer District No. 2. Other policies are issued jointly for Livingston Parish Sewer District No. 1 and Livingston Parish Sewer District No. 2.

LIVINGSTON PARISH SEWER DISTRICT No. 1
Denham Springs, Louisiana

Schedule of Compensation Paid to Board of Commissioners
For the Year Ended December 31, 2009

<u>Name and Title/ Contact Number</u>	<u>Address</u>	<u>Compensation Received</u>	<u>Term Expiration</u>
Layton Ricks, President (225) 665-7816	451 Brenda Drive Denham Springs, LA 70726	\$ 920	Until Re-appointed
Michael Dougay (225) 791-8295	8464 Harold Drive Denham Springs, LA 70726	920	Until Re-appointed
Michael R. Swain (225) 665-3851	443 Brenda Drive Denham Springs, LA 70726	920	Until Re-appointed
		<u>\$ 2,760</u>	

LIVINGSTON PARISH SEWER DISTRICT No. 1
Denham Springs, Louisiana

Schedule of Sewer Rates
For the Year Ended December 31, 2009

Effective June 1, 2008, a \$300.98 Tap Fee (plus road bore) plus additional Impact Fee as indicated below:

Sewer Fees	Impact Fee	Tap Fees
Residential Sewer Rates	\$1,702	3/4" Tap
\$15.00 - First 3,000 Gallons	\$1,762	1" Tap
\$1.50 - Per next 1,000 Gallons	\$5,253	1 & 1/4" Tap
\$17.00 - Residential with own Well	\$21,915	2" Tap
Commercial Sewer Rates	\$23,429	3" Tap
\$35.00 plus \$1.50 per 1,000 gallons - Up to 40,000 gallons	\$56,818	4" Tap
\$45.00 plus \$1.50 per 1,000 gallons - 40,000 gallons and over	\$120,919	6" Tap
\$45.00 - Commercial with own Well	\$346,301	8" Tap

Schedule of Sewer Customers
For the Year Ended December 31, 2009

As of December 31, 2009, the District had the following number of customers:

	December 31, 2009
Customers	977
Total Customers	977

Other Reports

MALCOLM M. DIENES, L.L.C.
LEROY J. CHUSTZ, C.P.A.

— Certified Public Accountants



**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED
ON AN AUDIT OF THE BASIC FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Board of Commissioners
Livingston Parish Sewer District No. 1
Denham Springs, Louisiana

We have audited the financial statements of the governmental activities of the Livingston Parish Sewer District No. 1 (the District), as of and for the year ended December 31, 2009, which comprise the District's basic financial statements and have issued our report thereon dated September 30, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses.

We did identify deficiencies in internal control over financial reporting, as defined above and described in the accompanying Schedule of Findings and Responses that we consider to be

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material weaknesses in internal control over financial reporting which are reported as finding 2009-1 and 2009-3.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance, reported as finding 2009-2, in the accompanying Schedule of Findings and Responses, which is required to be reported under *Government Auditing Standards*.

The District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. We did not audit the District's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the District's Board of Commissioners, others within the District, and the Louisiana Legislative Auditor and is not intended to be and should not be used by anyone other than these specified parties.

Malcolm M. Dienes, L.L.C.

Leroy J. Chustz, CPA

September 30, 2010

**Livingston Parish Sewer District No. 1
Schedule of Findings and Responses
For the Year Ended December 31, 2009**

We have audited the basic financial statements of Livingston Parish Sewer District No. 1 as of and for the year ended December 31, 2009, and have issued our report thereon dated September 30, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our audit of the financial statements as of December 31, 2009, resulted in a qualified opinion.

Section I Summary of Auditor's Reports

A. Report on Internal Control and Compliance Material to the Financial Statements

Internal Control

Material Weaknesses ☒ Yes ☐ No Significant Deficiencies ☐ Yes ☐ No

Compliance

Compliance Material to Financial Statements ☒ Yes ☐ No

B. Federal Awards ☒ Not Applicable

Internal Control

Material Weaknesses ☐ Yes ☐ No Reportable Conditions ☐ Yes ☐ No

Type of Opinion On Compliance	Unqualified <input type="checkbox"/>	Qualified <input type="checkbox"/>
For Major Programs	Disclaimer <input type="checkbox"/>	Adverse <input type="checkbox"/>

Are there findings required to be reported in accordance with Circular A-133, Section .510(a)? ☐ Yes ☐ No

Was a management letter issued? ☐ Yes ☒ No

C. Identification of Major Programs:

CFDA Number(s)

Name of Federal Program (or Cluster)

Dollar threshold used to distinguish between Type A and Type B Programs: \$ _____

Is the auditee a 'low-risk' auditee, as defined by OMB Circular A-133? ☐ Yes ☐ No

**Livingston Parish Sewer District No. 1
Schedule of Findings and Responses (Continued)
For the Year Ended December 31, 2009**

Section II Financial Statement Findings

***2009-1 Debt Covenant Failure
MATERIAL WEAKNESS***

Condition

Bond covenant requirements included in the Bond Agreements of the 1984 Series and 1997A Series issuances stipulate transaction processing, financial statement ratio maintenance, and certain other miscellaneous requirements be met on an ongoing basis in order to remain in compliance with the Bond Agreement(s).

Finding

Certain transaction processing and financial statement ratio maintenance requirements were not met as of and for the year ended December 31, 2009.

Recommendation

The District should ensure that the bond transaction processing requirements are being met on an ongoing basis and that financial statement ratios be evaluated and communicated to the respective Trustee and/or Bondholders in a timely manner in order to remain in compliance with the Bond Agreement(s).

Management's Response

The District suffered tremendous damage from the September 1, 2008 Hurricane Gustav event. In recovering from this storm, the District was required to pay substantial repair bills during fiscal 2009 causing cash on hand to decline to a low level. However, these hurricane event expenditures resulted in a receivable from FEMA and the State of Louisiana. These receivables are being collected even into late fiscal 2010. The financial trustee (Hancock Bank Trust) is now following procedures whereby the depositing of our monthly payments as required by the bond covenant is performed before the 20th day of each month for all sinking fund, reserve fund, and depreciation/contingency fund payments which we remit as required by the Bond Agreement(s). Additionally, effective January 1, 2010, sewer rate increases were implemented which will also ensure the future compliance to all bond covenant ratios.

2009-2 Timely Issuance of Audited Financial Statements
NON COMPLIANCE

Condition

Louisiana Revised Statute 24:517 requires that audited financial statements be issued within six (6) months of the close of the fiscal year.

Finding

The audited financial statements as of and for the year ended December 31, 2009, were not issued timely as required by the above statute.

Recommendation

Management should issue audited financial statements within the required statutory requirement period of six months following the close of the fiscal year for all future periods.

Management's Response

Livingston Parish Sewer District No. 1 and 2 has had financial records ready for audit by the first week of April after the close of the 2008 and 2009 periods. Our 2008 auditor stated at the last hour (June 30, 2009) that it would take him an extra month due to work load, which he finished by the end of 7-31-09 for the 2008 audit. In 2009, the audit firm was purchased by another entity which delayed the start on the audit and a new engagement was entered into in May. The new firm has needed additional time regarding the new local service agreement research relating to the 12-22-09 Livingston Parish Council issuance of \$2,500,000 Series Revenue Bonds and expenditures due to Hurricane Gustav made in 2009.

2009-3 Disclosure of Long Term Commitment
MATERIAL WEAKNESS

Condition

On December 22, 2009, the Livingston Parish Council (the Council) issued \$2,500,000 (principal) of 2009 Series Revenue Bonds (Bond) on behalf of the Livingston Parish Sewer District No.2 relating to the lift station repair and refurbishment project. The total interest on the 2009 Series Revenue Bonds through maturity in 2039 is calculated to be \$2,219,047 for a combined principal and interest amount of \$4,556,219. Additionally, the Council and the Livingston Parish Sewer District No.2 entered into a Local Services Agreement obligating the Livingston Parish Sewer District No.2 to make each of the required monthly principal and interest payments relating to the Bond through maturity. Subsequently, the District and Livingston Parish Sewer District No. 2 entered into a Local Services Agreement obligating the District to a pro rata share of the monthly principal and interest payment obligation of the Livingston Parish Sewer District No. 2 which is estimated to be \$1,415,714. The monthly

payment obligation of the District commenced in January 2010 with payments to continue through maturity.

Finding

The Local Service Agreement transaction was not originally evaluated and considered for inclusion in the notes to the financial statements as required by Generally Accepted Accounting Principles, which would have resulted in incomplete disclosure in the District's Financial Statements as of December 31, 2009

Recommendation

Management of the District should take the necessary steps to ensure that all material transactions entered into by the District are evaluated, recorded and disclosed as required by Generally Accepted Accounting Principles on a timely and accurate basis.

Management's Response

Livingston Parish Sewer District No. 1 (the District) was advised by Livingston Parish Legal Counsel and Parish authorities (Parish Financial Advisor, Bond Counsel and Parish Treasurer) to record the Livingston Parish Bond Sale in the future as an expense obligation each year for the length of the bonds as per the Livingston Parish Council's sinking fund payment schedule. Legal direction was given at the time of the closing on December 22, 2009, that all assets were the property of Livingston Parish Council and that the Bond was their responsibility. A Local Service Agreement was signed by and between the District and the Livingston Parish Council to satisfy bond requirements prior to the closing. An additional Local Service Agreement by and between the District and related party Livingston Parish Sewer District No. 2 (Sewer District No. 2) to allocate payment of the bond requirements between the District and Sewer District No. 2. The District received all supporting local service agreements detailing the bond and payment requirements from the bond counsel during the spring of 2010 and was not able to consider for the disclosure the future commitment as of December 31, 2009. The District has budgeted, disbursed timely, and recorded all scheduled payments as per the Parish Council's Trustee schedule during 2010. The District will disclose all future obligations of this nature as they are incurred rather than when payments are scheduled.

Section III Federal Award Findings and Questioned Costs

NONE

**Livingston Parish Sewer District No. 1
Schedule of Prior Year Findings
For the Year Ended December 31, 2009**

Section I Internal Control and Compliance Material to Financial Statements

<u>Prior Year Finding Number</u>	<u>Description</u>	<u>Status at December 31, 2009</u>
2008-1	Timely Issuance of Audited Financials	Not in compliance

Section II Internal Control and Compliance Material to Federal Awards

N/A

Section III Management Letter

N/A

MALCOLM M. DIENES, L.L.C.
LEROY J. CHUSTZ, C.P.A.

Certified Public Accountants



September 30, 2010

To the Board of Commissioners of
Livingston Parish Sewer District No. 1

We have audited the financial statements of the governmental activities of Livingston Parish Sewer District No. 1 (the District) as of and for the year ended December 31, 2009, and have issued our report thereon dated September 30, 2010, which has been qualified. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and if applicable *Government Auditing Standards and OMB Circular A-133*), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated June 10, 2010. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the District are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2009. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the District's financial statements were:

Management's estimate of depreciation expense and the useful lives of capital assets is based on historical results and policy guidelines. We evaluated the key factors and assumptions used to develop the capital asset policy in determining that it is reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the financial statements was:

The disclosure of capital assets and related depreciation expense. Since 61% of total assets are comprised of depreciable capital assets, the estimate of useful lives is particularly significant.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit, except as disclosed in the Schedule of Findings and Responses (Section II- Financial Statement Findings).

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Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. During the course of the audit, management recorded an accrual for the District's December 2009 sales from the town of Denham Springs, Louisiana of \$11,087. Management also disclosed the Long Term Commitment as described in the Schedule of Findings and Responses as finding 2009-3. In addition none of the remaining misstatements noted during the audit and corrected by management were material to the financial statements.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated September 30, 2010.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of Board of Commissioners of the District and management of the District and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Malcolm M. Dienes, L.L.C.

Leroy J. Chustz, CPA

September 30, 2010